

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Southeastern Livingston County Recreation Authority</u>	County <u>Livingston</u>
Audit Date June 30, 2005	Opinion Date August 5, 2005	Date Accountant Report Submitted To State: December 20, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>Plante &amp; Moran, PLLC</b>			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature 			

# **Southeastern Livingston County Recreation Authority**

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**Financial Report with  
Supplemental Information  
June 30, 2005**

# **Southeastern Livingston County Recreation Authority**

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## Independent Auditor's Report

To the Members of the Board  
Southeastern Livingston County Recreation Authority

We have audited the accompanying basic financial statements of the Southeastern Livingston County Recreation Authority as of June 30, 2005 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Southeastern Livingston County Recreation Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Southeastern Livingston County Recreation Authority as of June 30, 2005 and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Plante & Moran, PLLC*

August 5, 2005

A member of



A worldwide association of independent accounting firms

# **Southeastern Livingston County Recreation Authority**

## **Management's Discussion and Analysis**

Our discussion and analysis of the Southeastern Livingston County Recreation Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the Authority's financial statements.

### **Southeastern Livingston County Recreation Authority as a Whole**

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in thousands of dollars):

	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Current assets	\$      201	\$      257
Noncurrent assets	<u>      87</u>	<u>      98</u>
Total assets	288	355
<b>Current Liabilities</b>	<u>      80</u>	<u>     168</u>
<b>Net Assets</b>		
Invested in capital assets	87	12
Unrestricted	<u>    121</u>	<u>    175</u>
Total net assets	<u><u>\$     208</u></u>	<u><u>\$     187</u></u>

# Southeastern Livingston County Recreation Authority

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the current year and compared to the prior year (in thousands of dollars):

	2005	2004
<b>Revenue</b>		
Adult program fees and other charges	\$ 29	\$ 41
Youth program fees and other charges	334	313
Grants, donations, and other contributions	153	173
Special activities revenue	31	33
Skate park revenue	36	19
Interest	2	-
	<hr/>	<hr/>
Total revenue	585	579
<b>Expenditures</b>		
Salaries and payroll taxes	221	238
Employee benefits	55	58
Insurance	15	15
Special activities expenses	12	12
Skate park expenses	8	4
Recreation supplies	28	57
Office expenses	20	13
Bank charges	8	7
Postage expense	13	4
Contract services	122	116
Professional services	22	17
Printing and publishing	20	16
Repairs and maintenance	1	2
Capital outlay	-	3
Interest expense	1	1
Utilities	5	-
Depreciation	13	13
	<hr/>	<hr/>
Total expenditures	564	576
<b>Change in Net Assets</b>	<b><u>\$ 21</u></b>	<b><u>\$ 3</u></b>

# **Southeastern Livingston County Recreation Authority**

## **Management's Discussion and Analysis (Continued)**

The Authority's combined net assets increased by approximately \$21,000 due to the overall increase in revenue. Program related revenues increased by approximately \$24,000. This was due in part to a department-wide effort to increase each semester's program offerings (particular attention was given to expanding the youth offerings in the under 10 years of age category). Another contributing factor was an increase in program fees. Fees were adjusted to offset inflation and higher indoor facility costs. In addition, program registration increased as a result of population growth and the Authority's expanded marketing efforts. During the past year, administration continued to promote the website and online registration. Municipal contributions remained at 2004 levels and special events revenue decreased approximately \$2,000 (nearly 6 percent).

Expenditures decreased from the prior year by nearly 3 percent.

### **Governmental Activities**

The Authority's total revenues increased during the current year due to various factors, including the increase in youth program and skate park revenues. Expenses decreased during the year, primarily due to the reorganization of the department's operational structure.

### **General Fund Budgetary Highlights**

The Authority overall stayed below budget, resulting in total expenditures being below the budget figures. This allowed the General Fund's fund balance to decrease to approximately \$138,000, instead of the projected figure of nearly \$108,000.

### **Economic Factors and Next Year's Budgets and Rates**

Southeastern Livingston County Recreation Authority's budget for next year calls for minor changes, realizing that the entities are experiencing budget cuts and the Authority will also work hard to maintain a budget that works for all entities.

### **Contacting the Authority's Management**

This financial report is intended to provide our citizens, customers, and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Authority's office.

# Southeastern Livingston County Recreation Authority

## Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2005

	Balance Sheet - Modified Accrual	Adjustments (Note 2)	Statement of Net Assets - Full Accrual
<b>Assets</b>			
Cash (Note 3)	\$ 199,316	\$ -	\$ 199,316
Other current assets	2,014	-	2,014
Capital assets - Net (Note 4):			
Nondepreciated	-	32,092	32,092
Depreciated	-	54,458	54,458
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u><b>\$ 201,330</b></u>	86,550	287,880
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accrued and other liabilities	\$ 24,891	-	24,891
Deferred revenue	38,359	-	38,359
Compensated absences (Note 1)	-	16,555	16,555
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	63,250	16,555	79,805
<b>Fund Balance</b> - Unreserved and undesignated	<u>138,080</u>	<u>(138,080)</u>	
Total liabilities and fund balance	<u><b>\$ 201,330</b></u>		
<b>Net Assets</b>			
Invested in capital assets		86,550	86,550
Unrestricted		121,525	121,525
		<u>          </u>	<u>          </u>
Total net assets		<u><b>\$ -</b></u>	<u><b>\$ 208,075</b></u>



# Southeastern Livingston County Recreation Authority

## Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2005

	Revenues and Expenditures, Modified Accrual	Adjustments (Note 2)	Statement of Activities - Full Accrual
<b>Revenue</b>			
Adult program fees and other charges	\$ 29,207	\$ -	\$ 29,207
Youth program fees and other charges	334,037	-	334,037
Grants, donations, and other contributions (Note 7)	151,646	-	151,646
Special activities revenue	31,295	-	31,295
Skate park revenue	36,346	-	36,346
Interest	2,361	-	2,361
	<hr/>	<hr/>	<hr/>
Total revenue	584,892	-	584,892
<b>Expenditures</b>			
Salaries and payroll taxes	218,375	2,382	220,757
Employee benefits	54,659	-	54,659
Insurance	15,207	-	15,207
Special activities expenses	11,579	-	11,579
Skate park expenses	8,265	-	8,265
Recreation supplies	27,932	-	27,932
Office expenses	19,887	-	19,887
Bank charges	7,659	-	7,659
Postage expense	13,089	-	13,089
Contract services	121,670	-	121,670
Professional services	22,435	-	22,435
Printing and publishing	19,518	-	19,518
Repairs and maintenance	1,459	-	1,459
Capital outlay	1,579	(1,320)	259
Interest expense	1,473	-	1,473
Utilities	4,564	-	4,564
Debt service	86,429	(86,429)	-
Miscellaneous	269	-	269
Depreciation	-	13,113	13,113
	<hr/>	<hr/>	<hr/>
Total expenditures	636,048	(72,254)	563,794
<b>Excess of Revenue Over (Under) Expenditures</b>	(51,156)	72,254	21,098
<b>Fund Balance/Net Assets</b>			
Beginning of year	189,236	(2,259)	186,977
	<hr/>	<hr/>	<hr/>
End of year	<u>\$ 138,080</u>	<u>\$ 69,995</u>	<u>\$ 208,075</u>

# **Southeastern Livingston County Recreation Authority**

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## **Notes to Financial Statements June 30, 2005**

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of the Southeastern Livingston County Recreation Authority (the "Authority") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Authority:

#### **Reporting Entity**

Southeastern Livingston County Recreation Authority was jointly incorporated by the City of Brighton, the Township of Brighton, and the Township of Green Oak. The Authority was incorporated in 2002 under provisions of Public Act 321. The Authority is governed by a board composed of two members from each of the above municipalities, two members from Brighton Area Schools, and one at-large member approved by other board members. The Authority was formed to provide recreational services to the respective communities.

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on these criteria, there are no component units of the Authority that are to be included in the reporting entity.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's major fund).

#### **Government-wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, charges for services, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# **Southeastern Livingston County Recreation Authority**

## **Notes to Financial Statements June 30, 2005**

### **Note I - Summary of Significant Accounting Policies (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service payments and compensated absences are recorded only when payment is due.

Interest earned on cash deposits is recorded on the accrual basis.

The Authority reports the following major governmental fund:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority. General Fund activities are financed primarily from program charges and intergovernmental sources.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Authority has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

#### **Assets, Liabilities, and Net Assets or Equity**

**Capital Assets** - Capital assets, which include land, office equipment, and vehicle, are reported in the statement of net assets. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Office equipment	3 to 5 years
Skate park land improvements	10 years
Vehicle	5 years

# **Southeastern Livingston County Recreation Authority**

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## **Notes to Financial Statements June 30, 2005**

### **Note I - Summary of Significant Accounting Policies (Continued)**

**Compensated Absences** - It is the Authority's policy to permit full-time employees to accumulate earned but unused sick and vacation pay benefits. All compensated absence pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. The compensated absence balance was \$16,555 and \$14,173 as of June 30, 2005 and 2004, respectively. The entire amount accrued as of June 30, 2005 is current and will be paid within the next fiscal year.

**Deferred Revenue** - Governmental funds modified accrual basis financial statements and the government-wide full accrual financial statements report deferred revenue in connection with revenue that has not been earned since it relates to advance collection of program fees for programs which will be provided subsequent to the end of the current fiscal year.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Related Parties** - The Authority pays rent for its building space to Brighton Area Schools. Rent expense for the year ended June 30, 2005 was \$10,000.

Other accounting policies are disclosed in other notes to the financial statements.

# Southeastern Livingston County Recreation Authority

## Notes to Financial Statements June 30, 2005

### Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Total fund balances and the net change in fund balances of the Authority's governmental funds differs from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

<b>Total Fund Balance - Modified Accrual Basis</b>	<b>\$ 138,080</b>
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Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources, and are not reported in the funds	86,550
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Accumulated compensated absences are not due and payable in the current period and are not reported in the funds	<u>(16,555)</u>
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<b>Total Net Assets - Full Accrual Basis</b>	<b>\$ 208,075</b>
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<b>Net Change in Fund Balances - Modified Accrual Basis</b>	<b>\$ (51,156)</b>
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Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	1,320
Depreciation	(13,113)

Repayment of the line of credit is an expenditure in the statement of revenue, expenditures, and changes in fund balance, but not in the statement of activities (where it reduces debt)	86,429
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Changes in accumulated compensated absences are recorded when earned in the statement of activities	<u>(2,382)</u>
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<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 21,098</b>
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# **Southeastern Livingston County Recreation Authority**

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## **Notes to Financial Statements June 30, 2005**

### **Note 3 - Cash**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated one bank for the deposit of its funds. The investment policy adopted by the Authority in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The deposits and investment policies are in accordance with statutory authority.

The Authority had no investments during the year ended June 30, 2005.

The Authority's cash deposits are subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Authority had \$75,912 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# Southeastern Livingston County Recreation Authority

## Notes to Financial Statements June 30, 2005

### Note 4 - Capital Assets

Capital asset activity of the Authority's governmental activities was as follows:

<b>Governmental Activities</b>	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital assets not being depreciated -				
Skate park land	\$ 32,092	\$ -	\$ -	\$ 32,092
Capital assets being depreciated:				
Office equipment	20,254	1,320	-	21,574
Skate park land improvements	54,337	-	-	54,337
Vehicle	8,000	-	-	8,000
Subtotal	82,591	1,320	-	83,911
Accumulated depreciation:				
Office equipment	5,858	6,079	-	11,937
Skate park land improvements	5,434	5,434	-	10,868
Vehicle	5,048	1,600	-	6,648
Subtotal	16,340	13,113	-	29,453
Net capital assets being depreciated	66,251	(11,793)	-	54,458
Net capital assets	<u>\$ 98,343</u>	<u>\$ (11,793)</u>	<u>\$ -</u>	<u>\$ 86,550</u>

### Note 5 - Line of Credit

The Authority had borrowings under a \$95,000 line of credit agreement during the year, with interest payable monthly at the bank's prime rate. The line of credit agreement expired on January 15, 2005, when the balance outstanding of \$86,429 was paid in full by the Authority.

### Note 6 - Budget Information

The annual budget is prepared by the recreation director and adopted by the Southeastern Livingston County Recreation Authority; subsequent amendments are approved by the Authority's board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2005 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

# **Southeastern Livingston County Recreation Authority**

## **Notes to Financial Statements June 30, 2005**

### **Note 6 - Budget Information (Continued)**

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America except that "payment of long-term debt" has been included in expenditures rather than as "other financing uses." The budget has been adopted on a total revenue and expenditure basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. The additional detail in this statement is shown in greater detail than the budget that was adopted and is used to provide additional analysis for management use only.

### **Note 7 - Grants and Donations**

During the current year, the Authority received the following grants, donations, and contributions into the General Fund:

Cash contributions:

Brighton Township	\$ 59,129
City of Brighton	25,618
Genoa Township	32,286
Green Oak Township	29,303
Private sponsorship	<u>5,310</u>

Total	<u><u>\$ 151,646</u></u>
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### **Note 8 - Defined Contribution Pension Plan**

The Authority provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Authority contributes 10 percent of full-time employees' gross earnings. In accordance with these requirements, the Authority contributed \$8,328 during the year ended June 30, 2005. The Authority's contributions for each employee are fully vested after five years for employees who are employed after July 2003. The employees who were with the Authority before July 2003 were fully vested upon hire.



# **Southeastern Livingston County Recreation Authority**

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## **Notes to Financial Statements June 30, 2005**

### **Note 9 - Risk Management**

The Southeastern Livingston County Recreation Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for workers' compensation and employee medical claims and participates in the state pool program of the Michigan Municipal Risk Management Authority for claims relating to general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past year.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

## **Required Supplemental Information**

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# Southeastern Livingston County Recreation Authority

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended
<b>Revenue</b>				
Adult program fees and other charges	\$ 50,000	\$ 50,000	\$ 29,207	\$ (20,793)
Youth program fees and other charges	300,000	300,000	334,037	34,037
Grants, donations, and other contributions	171,339	171,339	151,646	(19,693)
Special activities revenue	28,000	28,000	31,295	3,295
Skate park revenue	35,000	35,000	36,346	1,346
Interest	1,000	1,000	2,361	1,361
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	585,339	585,339	584,892	(447)
<b>Expenditures</b>				
Salaries and payroll taxes	240,500	240,500	218,375	22,125
Employee benefits	67,900	67,900	54,659	13,241
Insurance	17,100	17,100	15,207	1,893
Special activities expenses	12,500	12,500	11,579	921
Skate park expenses	5,000	5,000	8,265	(3,265)
Recreation supplies	25,000	25,000	27,932	(2,932)
Office expenses	13,550	13,550	19,887	(6,337)
Bank charges	7,000	7,000	7,659	(659)
Postage expense	5,000	5,000	13,089	(8,089)
Contract services	141,000	141,000	121,670	19,330
Professional services	16,500	16,500	22,435	(5,935)
Printing and publishing	15,000	15,000	19,518	(4,518)
Repairs and maintenance	5,000	5,000	1,459	3,541
Capital outlay	3,000	3,000	1,579	1,421
Interest expense	-	-	1,473	(1,473)
Utilities	6,000	6,000	4,564	1,436
Debt service - Principal	-	86,429	86,429	-
Miscellaneous	-	-	269	(269)
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	580,050	666,479	636,048	30,431
<b>Change in Fund Balance</b>	5,289	(81,140)	(51,156)	<u><u>\$ 29,984</u></u>
<b>Fund Balance</b> - Beginning of year	<u>189,236</u>	<u>189,236</u>	<u>189,236</u>	
<b>Fund Balance</b> - End of year	<u><u>\$ 194,525</u></u>	<u><u>\$ 108,096</u></u>	<u><u>\$ 138,080</u></u>	

August 5, 2005

To the Members of the Board  
Southeastern Livingston County  
Recreation Authority  
7878 Brighton Road  
Brighton, MI 48116

Dear Board Members:

We have recently completed our audit of the financial statements of the Southeastern Livingston County Recreation Authority for the year ended June 30, 2005. As part of the audit, and in addition to the financial report, we offer the following comments and recommendations for your consideration. Since SELCRA has been independent since 2003, these items are typical of a new operation, and therefore show the "start-up pains" of becoming independent.

- While reviewing and discussing various policies currently in place with the director, it was noted that SELCRA does not currently have written and Board approved ethics, investment, credit card usage, and wire transfer policies. In addition, the Authority's Investment Officer needs to provide an annual investment report to the Board.
- While reviewing the general ledger activity and bank reconciliations, we noted that a check was not mailed as of the year-end. It was accounted for as if though it was, therefore reducing the cash balance as of June 30, 2005. When such instances occur, the cash balance should not be decreased, instead a liability related to the expense should be recorded.
- As mentioned in the prior year, local governments are required to obtain approval from the state when issuing debt. We noted during our testing, that the line of credit was paid off during the year as a result of our management letter comments last year. As a reminder, the Authority is required to submit a filing with the Michigan Department of Treasury. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the Authority's year end (due December 31, 2005) and is good for one year thereafter.

We would like to thank the entire staff of the Authority, in particular Julie Hall, for the cooperation we received in completing this year's audit. Please contact us if you have any questions or comments related to our suggestions, or if we can be of any help in their implementation.

Very truly yours,

A handwritten signature in black ink, reading "Leslie J. Pulver". The signature is written in a cursive style with a large, stylized "L" and "P".

Leslie J. Pulver

A handwritten signature in black ink, reading "Martin J. Olejnik". The signature is written in a cursive style with a large, stylized "M" and "O".

Martin J. Olejnik